

UAB SAMPO BANKAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

To the shareholder of UAB Sampo Bankas

We have audited the accompanying balance sheet of UAB Sampo Bankas (“the Bank”) and consolidated balance sheet of the Bank together with its subsidiary UAB Sampo Banko Lizingas (“the Group”) as of 31 December 2003 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

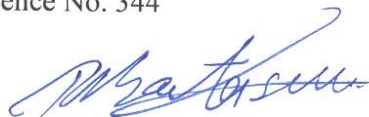
We conducted our audit in accordance with the International Standards on Auditing as set forth by the International Federation of Accountants (IFAC) and Lithuanian National Auditing Standards as set forth by the Lithuanian Chamber of Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

UAB Ernst & Young Baltic
Audit company’s licence No. 344



Per Moeller



Ramūnas Bartašius
Auditor’s licence
No. 000362

Vilnius

The audit was completed on 19 January 2004.

STATEMENTS OF INCOME

All amounts in LTL thousand unless otherwise stated

	Note	The Bank		The Group	
		2003	2002	2003	2002
Interest income		24,483	14,610	28,177	15,712
Interest expenses		(11,385)	(8,031)	(13,052)	(8,338)
Net interest income	3	13,098	6,579	15,125	7,374
Loan loss provisioning (expenses), net of releases	4	(1,151)	(226)	(1,151)	(226)
Loan loss recovery income		421	3,222	421	3,222
Other provisioning (expenses), net of releases and recoveries	4	3,167	(68)	2,794	(436)
Provisioning (expenses), net of releases and recoveries		2,437	2,928	2,064	2,560
Net interest income after provisions		15,535	9,507	17,189	9,934
Commission fee income		3,371	1,261	2,965	1,452
Commission fee expenses		(426)	(60)	(422)	(93)
Net fee and commission income		2,945	1,201	2,543	1,359
Subsidiary result		(371)	(336)	-	-
Net income on securities operations	5	788	589	788	589
Net foreign exchange gain	6	816	336	801	295
Other income	7	979	287	2,829	443
		2,212	876	4,418	1,327
Staff costs	8	(9,549)	(8,586)	(10,249)	(9,023)
Depreciation and amortisation	18,19	(661)	(1,014)	(3,056)	(1,673)
Premise rent and maintenance		(2,376)	(1,475)	(2,507)	(1,566)
Other operating expenses	9	(7,337)	(5,394)	(7,563)	(5,243)
Operating expenses		(19,923)	(16,469)	(23,375)	(17,505)
Result before income tax		769	(4,885)	775	(4,885)
Income tax	10	-	(1)	(6)	(1)
Net result for the year		769	(4,886)	769	(4,886)
Earnings (loss) per share (LTL)	27	1.17	(9.99)	1.17	(9.99)

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

All amounts in LTL thousand unless otherwise stated

	Note	The Bank		The Group	
		2003	2002	2003	2002
Assets					
Cash and cash equivalents		3,843	2,486	3,843	2,486
Balances with the Bank of Lithuania	11	45,562	15,764	45,562	15,764
Due from banks and financial institutions	12	34,334	9,454	34,334	9,454
Loans to credit and financial institutions, net	13	45,919	29,511	2,071	2,101
Loans to customers, net	14,15	558,709	264,014	558,709	264,014
Financial lease receivables, net	16	-	-	137,265	48,465
Factoring receivables, net		2,394	-	2,394	-
Investments accounted for under equity method	17	475	846	-	-
Trading investments	17	36,632	39,327	36,632	39,327
Held to maturity investments	17	48,139	-	48,139	-
Intangible assets, less amortisation	18	1,038	579	1,061	596
Property, plant and equipment, less depreciation	19	5,936	5,348	20,973	13,508
Other assets, net	20	7,251	3,613	21,394	11,565
Total assets		790,232	370,942	912,377	407,280
Liabilities					
Amounts owed to credit and financial institutions	21	424,918	198,492	536,717	230,876
Deposits from the public	22	261,583	119,839	261,583	119,839
Accrued expenses and deferred income	23	5,078	3,440	6,478	3,605
Other liabilities and provisions	24	5,479	7,752	14,425	11,541
Total liabilities		697,058	329,523	819,203	365,861
Subordinated loan	25	20,016	-	20,016	-
Shareholders' equity	26				
Paid in capital		88,040	57,040	88,040	57,040
Restricted reserve		95	95	95	95
Reserve capital		3,155	3,185	3,155	3,185
Capital conversion effect		-	(3,923)	-	(3,923)
Retained earnings		(18,132)	(14,978)	(18,132)	(14,978)
Total Shareholders' equity		73,158	41,419	73,158	41,419
Total liabilities and shareholders equity		790,232	370,942	912,377	407,280

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in LTL thousand unless otherwise stated

<u>The Bank and the Group</u>	Paid in capital	Restricted reserve	Reserve capital	Capital conversion effect	Retained earnings	Total equity
Balance as of 31 December 2001	41,040	95	3,225	(3,923)	(10,092)	30,345
Capital increase	16,000	-	-	-	-	16,000
Subsidy amortisation	-	-	(40)	-	-	(40)
(Loss) for the year	-	-	-	-	(4,886)	(4,886)
Balance as of 31 December 2002	57,040	95	3,185	(3,923)	(14,978)	41,419
Capital increase	31,000	-	-	-	-	31,000
Subsidy amortisation	-	-	(30)	-	-	(30)
Capital conversion effect transferred to retained earnings	-	-	-	3,923	(3,923)	-
Profit for the year	-	-	-	-	769	769
Balance as of 31 December 2003	88,040	95	3,155	-	(18,132)	73,158

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS

All amounts in LTL thousand unless otherwise stated

	The Bank		The Group	
	2003	2002	2003	2002
Operating activities				
Interest income	21,519	14,780	24,793	16,002
Interest expenses	(9,668)	(7,258)	(10,851)	(7,373)
Net fees	2,945	1,201	2,543	1,473
Foreign exchange operations	416	511	401	470
Operations with securities	1,142	286	1,142	286
Loan loss recovery income	421	2,922	421	2,520
Staff cost	(10,018)	(7,729)	(10,706)	(8,168)
Other income (expenses)	(8,449)	(7,183)	(6,793)	(7,154)
	(1,692)	(2,470)	950	(1,944)
Changes in operating assets and liabilities				
Balances with the Bank of Lithuania	(17,906)	(5,284)	(17,906)	(5,284)
Due from banks and financial institutions	(16,149)	(15,018)	289	(4,274)
Loans to customers and factoring	(301,634)	(163,955)	(301,634)	(163,955)
Financial lease	-	-	(89,173)	(34,814)
Trading investments	2,341	(23,341)	2,341	(23,341)
Other current assets	2,481	(2,448)	(3,290)	(7,595)
Amounts owed to credit and financial institutions	229,624	84,590	309,039	117,549
Deposits from public	139,468	118,515	139,468	118,515
Other current liabilities	686	449	2,727	1,133
	38,911	(6,492)	41,861	(2,066)
Income tax (paid)	-	(1)	-	(1)
Investing activities				
Intangible assets and property, plant and equipment	(1,708)	(611)	(7,300)	(6,363)
Held to maturity investments	(48,139)	-	(48,139)	-
Investment in Subsidiary	-	(800)	-	-
	(49,847)	(1,411)	(55,439)	(6,363)
Financing activities				
Subordinated loan	20,016	-	20,016	-
Share capital increase	31,000	16,000	31,000	16,000
	51,016	16,000	51,016	16,000
Net increase (decrease) in cash	38,388	5,626	38,388	5,626
Cash as of 31 December	47,253	8,865	47,253	8,865
Cash as of 1 January	8,865	3,239	8,865	3,239
Which could be specified as follows				
Cash on hand	3,843	2,486	3,843	2,486
Current account with the Bank of Lithuania	11	13,549	1,657	13,549
Current accounts with other banks	12	29,861	4,722	29,861
	47,253	8,865	47,253	8,865

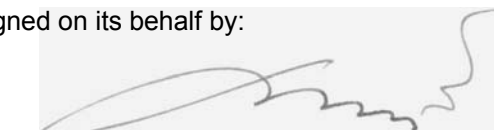
The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue on 19 January 2004.

The financial statements have been approved by the Bank and signed on its behalf by:



Gintautas Galvanauskas
Chairman of the Board



Robertas Čipkus
Chief Financial Officer

NOTE 1 Background information

UAB Sampo Bankas (hereinafter "the Bank") was established on 14 December 1993 as Lithuanian Development Bank. A banking license was received in December 1994. On 15 September 2000 the Bank obtained license to operate as a commercial bank. On 28 December 2000 99.99% of the shares of the Bank were purchased by Sampo Plc. On 8 February 2001 the name of the Bank was officially changed to UAB Sampo Bankas.

As of 31 December 2003 UAB Sampo Bankas had three branches. The Head office is located at Geležinio Vilko Str. 18A, in Vilnius, Lithuania.

The Bank is engaged in provision of services set forth by the Law on Commercial Banks and deals with deposits, loans, money transfers, documentary settlements, currency exchange, trade finance, asset management, investing activities, brokerage, etc.

As of 31 December 2003 the Bank had a fully owned subsidiary company UAB Sampo Banko Lizingas (hereinafter "the Subsidiary"), engaged in provision of finance and operating lease services, which is located at Geležinio Vilko Str. 18A, in Vilnius, Lithuania.

As of 31 December 2003 the shares of UAB Sampo Bankas were distributed as follows:

	<u>Note</u>	<u>Number of ordinary shares issued</u>	<u>Total value of shares held (LTL '000)</u>	<u>Percent of ownership</u>
Sampo Plc.		880,394	88,039	99.99%
Private individuals		6	1	0.01%
Total	26	<u>880,400</u>	<u>88,040</u>	<u>100.00%</u>

As of 31 December 2003 all shares were authorised, subscribed and fully paid. As described in Note 36, on 2 January 2004 Sampo Bank Plc. became the single shareholder of the Bank.

NOTE 2 Significant accounting policies

Basis of presentation

The accompanying financial statements are presented in the national currency of Lithuania, Litas (LTL).

The books and records of the Bank are in all material respects maintained in accordance with the International Financial Reporting Standards as interpreted by the International Financial Reporting Interpretations Committee and the Lithuanian Banking Acts.

Consolidation

The consolidated financial statements include the Bank and its wholly owned subsidiary UAB Sampo Banko Lizingas.

In the consolidated financial statements all inter-company balances and transactions were eliminated. Consolidated financial statements were prepared using same accounting principles for similar transactions and events.

Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Foreign currencies

Until 2 February 2002 LTL was pegged to US dollar at the rate of LTL 4 for USD 1. On 2 February 2002 LTL was pegged to EUR at the rate of LTL 3.4528 for EUR 1.

Amounts denominated in other currencies than LTL are translated into LTL at the official exchange rate of the Bank of Lithuania prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in other currencies than LTL are recognised in the income statement.

Monetary assets and liabilities denominated in other currencies than LTL are revalued to LTL at the rates established by the Bank of Lithuania at the balance sheet date.

Income and expenses recognition

Income and expenses are recognised on an accrual basis without taking into consideration when the cash was actually received or paid. No interest is recognised on non-performing loans or other loans on which interest is not likely to be collected. Provision for accrued income is made in the same manner as for corresponding interest earning asset.

Penalty payments' income is recognised on a cash basis.

Commission and other income is recognised at the time of the related transaction.

Cash and cash equivalents

Cash, precious metals, current accounts with the Bank of Lithuania and current accounts with other banks due to their high liquidity are accounted for as cash and cash equivalents in the cash flow statement.

Property, plant and equipment and intangible assets

Depreciation for property, plant and equipment and intangible assets is calculated using the straight-line method, writing off the carrying value of each asset over its estimated useful life, as follows:

Buildings	40 years
Office equipment	2-7 years
Motor vehicles	3-5 years
Computer software	1-3 years

Repairs and renewals are charged to the income statement when the expenditure is incurred. Items with a cost value of LTL 3,000 and less are charged directly to the statement of income.

Investments

All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group. Settlement day refers to the recognition of an asset on the day it is transferred to the Group and to the derecognition of an asset, on the day that it is transferred by the Group. All other purchases or sales are recognised as derivative instruments until settlement occurs.

Investments are classified into the three categories.

Trading investments

Trading investments represent investments that were acquired with a clear purpose to make profits on the change of market prices. Trading investments are initially accounted for at acquisition cost and are subsequently revalued at the fair value, which is market price. Related profit or loss on revaluation is charged directly to the statement of income. Interest and dividends on such investments are recognised as interest income and dividend income respectively.

Available for sale investments

Available for sale investments represent investments with indefinite maturity that can be sold as a result of liquidity risk management or as a result of change in interest rates, market prices, etc. Available for sale Investments are initially accounted for at acquisition cost and are subsequently revalued at the fair value, which is market price. Related profit or loss on revaluation is charged directly to the statement of income. Interest and dividends on such investments are recognised as interest income and dividend income respectively.

Held to maturity investments

Held to maturity investments represent investments that have definite maturity and scheduled payments and that are supposed by the management of the Group to be held to maturity. Held to maturity investments are accounted for at an amortised cost using effective interest rate. Impairment loss on investment is recognised when, due to a reasons that are not temporary, the value of the investment decreases. Impairment loss is charged to the statement of income at the moment when it is recognised.

Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to hedges (fair value and cash flow hedges), which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in the income statement. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the income statement. Where the adjustment relates to a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement on a systematic basis so that it is fully amortised by its maturity date.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of income for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Subsidiary company

The Bank has a fully owned subsidiary, UAB Sampo Banko Lizingas, which is accounted for under the equity method in the financial statements of the Bank. The consolidated financial statements include financial results of the Bank and UAB Sampo Banko Lizingas.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement.

Fair values of financial assets and liabilities

For financial instruments traded in organised financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. For unquoted equity investments the fair value is based on the price of similar investments in the market. Where the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the financial statements.

Loans

Loans and advances are recognised at their settlement date. From the date of signing a contractual agreement till the settlement date they are accounted for as off balance sheet items.

Provisions for possible credit losses are established to represent the estimated amounts of probable losses that have been incurred at the balance sheet date.

When a loan or advance has been classified as non-performing or of high risk, a provision for possible credit losses is established for that specific loan or advance for the amount of the outstanding balance, which is deemed non-collectable. The value of collateral held in connection with loans and advances is based on the estimated realisable value of the asset and is taken into account when estimating the required provision.

When assessing the provision, the customer's financial position and debt servicing are taken into account. The provision amount is calculated on each loan amount outstanding, less the value of the collateral/ security, which is adjusted to a certain ratio. This ratio depends on the nature of the collateral/ security.

Portfolio provisions

The amount of potential losses not specifically identified, but which experience indicates are present in the portfolio of loans and advances, is recognised as an expenses and deducted from the total carrying amount of loans and advances as a provision for losses on loans and advances. The assessment of these loans depends on the judgement of the management.

Non-performing loans

Loans are treated as non-performing when loan principal or interest payable is overdue for 90 and more days.

Write-offs

When the loans and advances cannot be recovered, they are written-off and charged against provision for possible credit losses. The management of the Bank makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the income statement.

Factoring

A factoring transaction is a funding transaction wherein the Bank finances its customers through buying their claims. Companies alienate rights to invoices due at a future date to the Bank. Factoring transactions comprise factoring transactions with a right to recourse (the Bank is entitled to selling the overdue claim back to customer) and factoring transactions without a right to recourse (the Bank is not entitled to selling the overdue claim back to customer). The factor's revenue comprises the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration of the payment term set by the purchaser.

The factoring balance include the aggregate amount of factored invoices outstanding as of the reporting date.

Leases

Financial lease

Assets leased out under financial lease are recognised in the balance sheet and presented as a receivable at an amount equal to the present value of future lease payments.

Interest income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

The rights and obligations arising from financial leases are recognised at the date of transfer of the asset to the lessee. Until that day the payment from the lessee is treated as a prepayment.

Operating lease

Assets leased out under operating leases are presented in the balance sheet as property, plant and equipment. They are depreciated over their estimated useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term and presented as other operating income.

Repossessed assets held for sale

Assets acquired through foreclosures are initially recognised and subsequently stated at the lower of acquisition cost or market value. Changes in asset value, gains or losses recognised on the sale of repossessed assets are included in the income statement.

Borrowings

In the balance sheet borrowings are recognised initially at cost amounting to their issue proceeds net of transaction costs. Subsequently borrowings stated at amortised cost and any difference between net proceeds and value at redemption is recognised in the income statement over the period of borrowings using the effective interest rate.

Share capital

Share capital is shown in the balance sheet at the amount subscribed.

Income tax

The Bank and the Group records income tax related to the taxable income computed in accordance with Lithuanian tax legislation.

Starting from 1 January 2002, the standard Lithuanian income tax rate was reduced from 24% to 15%. In accordance with the Lithuanian income tax regulations the Bank can carry forward tax losses for 5 years and reduce taxable income with the tax loss carried forward starting from 1 January 1997.

Deferred taxes are calculated using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax asset can be utilised. At each balance sheet date, the Bank reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. If it is more likely than not that some or all differences of a deferred tax asset will not be realised, a valuation allowance is established for that portion.

Derivative financial instruments

Derivative financial instruments are initially recognised at cost. Subsequently to initial recognition derivative instruments are stated at their fair values. Fair value is derived from quoted market prices or using the discounted cash flow method applying effective interest rate. All derivative instruments are accounted for as an asset, when their value is positive and as a liability, when their value is negative.

Changes in the fair value of derivative instruments held for trading purposes and held for fair value hedging purposes are recognised in the income statement.

Off-balance sheet items

Off-balance sheet transactions are normally marked to market at the reporting date and any arising profit or loss is recognised in the income statement for the period and treated as an asset or liability in the balance sheet respectively.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, loan loss provisioning and impairment evaluation. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Subsequent events

Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

NOTE 3 Net interest income

	The Bank		The Group	
	2003	2002	2003	2002
Interest income				
on loans and placements with credit and financial institutions	1,224	1,050	183	235
on loans to customers	20,228	11,466	20,228	11,466
on debt securities purchased	3,031	2,094	3,031	2,094
on financial lease	-	-	4,735	1,917
	<u>24,483</u>	<u>14,610</u>	<u>28,177</u>	<u>15,712</u>
Interest expenses				
on liabilities to and placements from credit and financial institutions	(6,756)	(6,088)	(8,423)	(6,395)
on subordinated loan	(800)	-	(800)	-
on deposits and other repayable amounts	(3,829)	(1,943)	(3,829)	(1,943)
	<u>(11,385)</u>	<u>(8,031)</u>	<u>(13,052)</u>	<u>(8,338)</u>
Net interest income	<u>13,098</u>	<u>6,579</u>	<u>15,125</u>	<u>7,374</u>

NOTE 4 Provisions for loan losses

Change in provisions for loan losses

	Note	The Bank		The Group	
		2003	2002	2003	2002
Provisions as of 1 January		(6,420)	(6,943)	(6,420)	(6,943)
Reversal/ (expenses) of specific provisions		140	1,019	140	1,019
Loan portfolio provisioning (expenses)		(1,291)	(1,245)	(1,291)	(1,245)
Total provisioning (expenses)/ releases		(1,151)	(226)	(1,151)	(226)
Incurred lending losses		301	399	301	399
Foreign exchange impact		153	350	153	350
Provisions as of 31 December		<u>(7,117)</u>	<u>(6,420)</u>	<u>(7,117)</u>	<u>(6,420)</u>
Which consist of:					
Provisions for loan losses	14,15	(3,592)	(4,117)	(3,592)	(4,117)
Provisions for loan portfolio	14,15	(3,525)	(2,303)	(3,525)	(2,303)
		(7,117)	(6,420)	(7,117)	(6,420)

The total amount of non-performing loans amounted to LTL 2,645 thousand as of 31 December 2003 (LTL 1,010 thousand as of 31 December 2002).

Other provisioning expenses

	The Bank		The Group	
	2003	2002	2003	2002
Provisions for finance lease portfolio	-	-	(373)	(368)
Provisions for repossessed assets	2,380	(120)	2,380	(120)
Provisions for other assets	(26)	104	(26)	104
Provisions for off-balance sheet items	(107)	(52)	(107)	(52)
Income on sale of repossessed assets	920	-	920	-
Other provisioning expenses, net	<u>3,167</u>	<u>(68)</u>	<u>2,794</u>	<u>(436)</u>

NOTE 5 Net income on securities operations

	The Bank		The Group	
	2003	2002	2003	2002
Trading result	1,142	286	1,142	286
Reprising effect	(354)	303	(354)	303
Net income on equity securities	788	589	788	589

NOTE 6 Net foreign exchange gain

	The Bank		The Group	
	2003	2002	2003	2002
Realised gain (loss)				
Gain on foreign exchange trading	2,520	1,075	2,520	1,075
Loss on foreign exchange trading	(2,104)	(564)	(2,119)	(605)
	416	511	401	470
Unrealised gain (loss)				
Balance sheet revaluation, net	461	(113)	461	(113)
Off balance sheet revaluation, net	(61)	(62)	(61)	(62)
	400	(175)	400	(175)
Net foreign exchange gain	816	336	801	295

NOTE 7 Other income

Other income of the Bank represents management fee and income for intermediation in provision of other Sampo group companies' (Life insurance, leasing company) services to final customers. Other income of the Group includes income from operating lease, which amounted to LTL 2,131 thousand in 2003 (LTL 114 thousand in 2002)

NOTE 8 Staff costs

	The Bank		The Group	
	2003	2002	2003	2002
Salaries and wages	7,286	6,542	7,820	6,883
Social security expenses	2,263	2,044	2,429	2,140
Staff costs	9,549	8,586	10,249	9,023

Staff remuneration expenses do not include bonuses for the management for the year 2003.

As of 31 December 2003 the Bank employed 158 employees (114 as of 31 December 2002). UAB Sampo Banko Lizingas, the fully owned subsidiary of the Bank, employed 14 employees as of 31 December 2003 (7 as of 31 December 2002).

NOTE 9 Other operating expenses

	The Bank		The Group	
	2003	2002	2003	2002
Office equipment maintenance	1,643	837	948	361
Taxes, other than income tax	1,556	1,130	1,655	1,205
Professional services	907	579	1,053	601
Transport and communications	786	757	786	737
Deposit insurance	777	240	777	240
Advertising and marketing	598	837	707	1,040
Business trips and training	295	210	316	211
Representation expenses	180	139	192	139
Credit insurance	150	113	150	113
Maintenance of assets held for lease	-	-	320	-
Other	445	552	659	596
Operating expenses	7,337	5,394	7,563	5,243

NOTE 10 Income tax

	The Bank	
	2003	2002
Net profit (loss) before income tax	769	(4,885)
Changes in temporary differences	(787)	1,287
Corrections of loss carry forward	1,287	(482)
Permanent differences	(3,236)	(414)
Taxable result for the year	(1,967)	(4,494)
Correction of income tax of previous years	-	(1)
Change in deferred income tax asset	-	-
Income tax expenses	-	(1)
Asset difference	354	1,590
Liability difference	(77)	(526)
Loss carry forward	17,673	15,476
Temporary differences	17,950	16,540
Deferred income tax assets before valuation allowance	2,693	2,481
Less: valuation allowance	(2,693)	(2,481)
Deferred income tax asset	-	-

The Bank has incurred taxable loss in 2003 and 2002, which can be carried forward 5 years and offset against future taxable income. The management of the Bank does not expect a deferred tax asset to be realised in the nearest future and, therefore, decided to make 100 per cent realisation allowance for it.

NOTE 11 Balances with the Bank of Lithuania

	The Bank		The Group	
	2003	2002	2003	2002
Obligatory reserves	32,013	14,107	32,013	14,107
Correspondent account	13,549	1,657	13,549	1,657
Balances with the Bank of Lithuania	45,562	15,764	45,562	15,764

NOTE 12 Due from banks and financial institutions

	The Bank		The Group	
	2003	2002	2003	2002
Correspondent accounts and overnight deposits	29,861	4,722	29,861	4,722
Demand deposits	-	13	-	13
Term deposits	4,473	4,719	4,473	4,719
Due from banks and financial institutions	34,334	9,454	34,334	9,454

The above balances of the Bank and the Group include LTL 7,469 thousand value correspondent accounts and overnight deposits and LTL 46 thousand value term deposits held at non-resident institutions as of 31 December 2003.

NOTE 13 Loans to credit and financial institutions, net

All loans to credit and financial institutions fall due within one year.

NOTE 14 Loans to customers, net

	Note	The Bank		The Group	
		2003	2002	2003	2002
Loans to customers, gross					
Falling due within one year		129,359	69,263	129,359	69,263
Falling due after one year		436,467	201,171	436,467	201,171
		565,826	270,434	565,826	270,434
Less provisions for loan losses	4	(3,592)	(4,117)	(3,592)	(4,117)
Less provisions for loan portfolio	4	(3,525)	(2,303)	(3,525)	(2,303)
		(7,117)	(6,420)	(7,117)	(6,420)
Loans to customers, net		558,709	264,014	558,709	264,014

As of 31 December 2003 the Bank granted LTL 3,782 thousand value loans to non-resident customers.

NOTE 15 Loans by industries, net

	Note	2003		2002	
		Gross	Provisions	Gross	Provisions
Agriculture and fishery		4,978	-	-	-
Processing industry		103,597	(2,265)	66,343	(3,256)
Utilities		19,936	-	7,547	-
Construction		30,140	-	18,803	(14)
Trade and wholesale distribution		63,437	(42)	31,510	(125)
Hotels and restaurants		12,230	-	5,810	(107)
Transportation & telecommunication		11,185	(553)	5,681	(524)
Real estate		37,182	(10)	10,963	(17)
Mortgage		234,342	(532)	111,701	(68)
Other		48,799	(190)	12,076	(6)
		565,826	(3,592)	270,434	(4,117)
Less provisions for loan losses	4	(3,592)		(4,117)	
Less provisions for loan portfolio	4	(3,525)		(2,303)	
Loans to customers, net		558,709		264,014	

NOTE 16 Financial lease receivables, net

Maturity profile

	2003		2002	
	Portfolio	Unearned lease income	Portfolio	Unearned lease income
Falling due within one year	34,433	4,910	8,812	3,027
Falling due from one to five years	98,520	6,521	39,098	4,548
Falling due after five years	5,175	5,074	1,045	346
	138,128	16,505	48,955	7,921
Less provisions for financial lease receivables	(863)		(490)	
Financial lease receivables, net	137,265	16,505	48,465	7,921

There were no non-performing receivables as of either of the above dates.

NOTE 16 Financial lease receivables, net (cont'd.)

Asset profile	The Group	
	2003	2002
Industrial equipment	36,989	13,685
Cars, etc.	27,943	12,609
Real estate	27,589	5,892
Trucks and trailers	24,917	12,436
Computers & office equipment	5,401	3,967
Buses	5,116	-
Ships	4,977	-
Railway tanks	2,354	-
Cranes	1,885	-
Medical equipment	138	275
Agricultural machines & equipment	129	91
Other	690	-
	138,128	48,955
Less provisions for financial lease receivables	(863)	(490)
Finance lease receivable, net	137,265	48,465

In 2003 additional LTL 373 thousand (LTL 368 thousand in 2002) specific provisions for potential losses on lease portfolio were made. Provisions were assessed based on overdue payments and financial health of the customer or customers' group.

NOTE 17 Investments

Investment into Subsidiary

On 4 May 2001 the Bank has established its fully owned subsidiary UAB Sampo Banko Lizingas with a share capital amounting to LTL 700 thousand as of establishment date, which was increased up to LTL 1,500 thousand on 13 November 2002.

Investment is accounted for under the equity method, which resulted in the net book value of it being LTL 475 thousand as of 31 December 2003 (LTL 846 thousand as of 31 December 2002) in the Bank's financial statements. The financial results of the Subsidiary are consolidated in the Group's financial statements.

The subsidiary is engaged in leasing activities, financed by loans received from the Bank and Sampo Bank Plc. As of 31 December 2003 the Subsidiary has signed 1,621 finance lease contracts with the net value of the finance lease portfolio being LTL 137,265 thousand (695 contracts and LTL 48,465 thousand portfolio as of 31 December 2002). As of 31 December 2003 the Subsidiary has also signed 189 operating lease contracts for property, plant and equipment leased to third parties.

During 2003 the Bank earned LTL 1,593 thousand on lending facilities provided to its Subsidiary and LTL 542 thousand on other services. The Bank also incurred LTL 1,014 thousand expenses on services received from UAB Sampo Banko Lizingas and paid LTL 6 thousand interest on current accounts of the Subsidiary.

As of 31 December 2003 total loans issued by the Bank to its Subsidiary amounted to LTL 43,848 thousand.

No subsidiary companies were established or acquired in 2003.

NOTE 17 Investments (cont'd.)

Other investments

Breakdown of investments into securities as of 31 December 2003 and 2002 is presented in the table below.

	The Bank		The Group	
	2003	2002	2003	2002
Trading investments				
Treasury bonds	36,617	38,765	36,617	38,765
Other debt securities	-	514	-	514
Equity securities	15	48	15	48
	36,632	39,327	36,632	39,327
Held to maturity investments				
Treasury bonds	45,658	-	45,658	-
Other debt securities	2,481	-	2,481	-
	48,139	-	48,139	-

NOTE 18 Intangible assets

	Bank	Group
Cost value		
Balance as of 31 December 2002	1,339	1,399
Additions	749	763
Disposals	-	-
Balance as of 31 December 2003	2,088	2,162
Accumulated amortisation		
Balance as of 31 December 2002	(760)	(803)
Charge for the year	(290)	(298)
Disposals	-	-
Balance as of 31 December 2003	(1,050)	(1,101)
Net book value as of 31 December 2003	1,038	1,061
Net book value as of 31 December 2002	579	596

Amortisation expenses were included in the income statement as operating expenses.

NOTE 19 Property, plant and equipment

	The Bank			
	Buildings	Vehicles	Equipment	Total
Cost value				
Balance as of 31 December 2002	6,106	116	745	6,967
Additions	869	-	90	959
Disposals	-	-	-	-
Balance as of 31 December 2003	<u>6,975</u>	<u>116</u>	<u>835</u>	<u>7,926</u>
Accumulated depreciation				
Balance as of 31 December 2002	(1,177)	(85)	(357)	(1,619)
Charge for the year	(153)	(17)	(201)	(371)
Disposals	-	-	-	-
Balance as of 31 December 2003	<u>(1,330)</u>	<u>(102)</u>	<u>(558)</u>	<u>(1,990)</u>
Net book value as of 31 December 2003	<u>5,645</u>	<u>14</u>	<u>277</u>	<u>5,936</u>
Net book value as of 31 December 2002	<u>4,929</u>	<u>31</u>	<u>388</u>	<u>5,348</u>

	The Group			
	Buildings	Vehicles	Equipment	Total
Cost value				
Balance as of 31 December 2002	6,106	6,014	3,718	15,838
Additions	869	7,280	2,782	10,931
Disposals	-	(787)	-	(787)
Balance as of 31 December 2003	<u>6,975</u>	<u>12,507</u>	<u>6,500</u>	<u>25,982</u>
Accumulated depreciation				
Balance as of 31 December 2002	(1,177)	(297)	(856)	(2,330)
Charge for the year	(153)	(1,519)	(1,086)	(2,758)
Disposals	-	79	-	79
Balance as of 31 December 2003	<u>(1,330)</u>	<u>(1,737)</u>	<u>(1,942)</u>	<u>(5,009)</u>
Net book value as of 31 December 2003	<u>5,645</u>	<u>10,770</u>	<u>4,558</u>	<u>20,973</u>
Net book value as of 31 December 2002	<u>4,929</u>	<u>5,717</u>	<u>2,862</u>	<u>13,508</u>

Depreciation expenses were included in the income statement as operating expenses.

As of 31 December 2003 property plant and equipment of the Group included vehicles and computer equipment with a net book value of LTL 10,539 thousand (cost value LTL 12,082 thousand) that were leased out to customers under operating lease agreements (assets leased under operating lease amounted to LTL 5,157 thousand (cost value LTL 5,264 thousand) as of 31 December 2002). The table below provides information of unearned income from operational lease.

	Unearned income	
	2003	2002
Falling due within one year	3,577	2,130
Falling due from one to five years	<u>4,750</u>	<u>2,574</u>
Unearned income, total	<u>8,327</u>	<u>4,704</u>

NOTE 20 Other assets, net

	Note	The Bank		The Group	
		2003	2002	2003	2002
VAT receivable		-	-	7,354	2,578
Accrued income		4,480	1,516	4,708	1,324
Advances		-	-	4,668	3,215
Current lease instalments		-	-	2,497	1,294
Repossessed assets		1,420	3,800	1,420	3,800
Deferred expenses		230	864	542	968
Receivable for assets sold and services provided		1,428	302	500	-
Prepayments		94	40	94	40
Derivative instruments	33	1	-	1	-
Other assets		267	122	279	1,377
		7,920	6,644	22,063	14,596
Less provisions for other assets		(669)	(3,031)	(669)	(3,031)
Other assets, net		7,251	3,613	21,394	11,565

As of 31 December 2003 the above balance included LTL 27 thousand receivables from non-resident customers.

NOTE 21 Amounts owed to credit and financial institutions

	The Bank		The Group	
	2003	2002	2003	2002
Current liabilities				
Current accounts	20	37	20	37
Overnight deposits	13,811	6,489	13,811	6,489
Demand deposits	5,544	1,230	811	812
	19,375	7,756	14,642	7,338
Term deposits				
Falling due within one year	28,662	36,546	28,662	36,546
Falling due after one year	5,664	40	5,664	40
	34,326	36,586	34,326	36,586
Long term borrowings				
Falling due within one year	311,857	103,352	428,389	136,154
Falling due after one year	59,360	50,798	59,360	50,798
	371,217	154,150	487,749	186,952
Amounts owed to credit and financial institutions	424,918	198,492	536,717	230,876

As of 31 December 2003 the above balances of the Bank included LTL 385,047 thousand liabilities to non-resident institutions (LTL 501,580 thousand by the Group).

NOTE 22 Deposits from the public

	The Bank		The Group	
	2003	2002	2003	2002
Current and demand deposits	89,692	35,574	89,692	35,574
Term deposits falling due within one year	170,013	81,869	170,013	81,869
Term deposits falling due after one year	1,878	2,396	1,878	2,396
Deposits from the public	261,583	119,839	261,583	119,839

As of 31 December 2003 the Bank and the Group accepted LTL 4,829 value deposits from non-resident customers.

NOTE 23 Accrued expenses and deferred income

	The Bank		The Group	
	2003	2002	2003	2002
Accrued interest	4,149	2,432	4,825	2,624
Accrued vacation pay	604	375	634	393
Deferred income	-	1	576	1
Other liabilities	325	632	443	587
Accrued expenses and deferred income	5,078	3,440	6,478	3,605

As of 31 December 2003 the Bank had accrued LTL 2,892 value expenses payable to non-resident customers (the Group - LTL 3,568 thousand).

NOTE 24 Other liabilities and provisions

	Note	The Bank		The Group	
		2003	2002	2003	2002
Payable for purchased assets to be leased		-	-	6,250	2,564
Advances received		-	-	1,963	1,133
Transit accounts		4,398	5,434	4,398	5,434
Derivative instruments	33	138	76	138	76
Provisions for contingent liabilities		140	51	140	51
Other liabilities		803	2,191	1,536	2,283
Other liabilities and provisions		5,479	7,752	14,425	11,541

As of 31 December 2003 the Bank and the Group had LTL 262 value other liabilities to non-resident customers.

NOTE 25 Subordinated loan

On 22 January 2003 the Bank and Sampo Bank Plc. signed a subordinated loan agreement. The loan amounts to EUR 5,797 thousand (LTL 20,016 thousand) and is used for general funding purposes and is included in Tier 2 regulatory capital. The subordinated loan matures on 15 March 2009 and is repayable in one instalment. According to the loan agreement, all or part of the indebtedness of the Bank may be converted into shares of the Bank. The conditions for conversion will be agreed by the parties in good faith.

NOTE 26 Shareholders' equity

The share capital of the Bank consists of 880,400 ordinary shares with a par value of LTL 100 each. All shares were fully paid as of 31 December 2003.

Reserve capital amounting to LTL 3,155 thousand as of 31 December 2003 can be either offset against future losses or used for the share capital increase but cannot be distributed in any other manner.

Capital conversion effect was recorded as the difference between share capital expressed in LTL at the share capital conversion date and at the date of the actual change in reporting currency from EUR to LTL, since the capital conversion date was earlier than the date of the change in reporting currency. In 2003 the capital conversion effect has been transferred to retained loss.

The table below represents reconciliation between shares outstanding as of 31 December 2003 and 31 December 2002. The capital of the Bank has been increased twice during 2003. All new shares were acquired by Sampo Plc. and were fully paid as of 31 December 2003.

	<u>Note</u>	<u>Number of shares</u>	<u>Par value</u>	<u>Issued/ 365 (days)</u>	<u>Weighted average</u>
Shares issued as of 31 December 2002		570,400	100	365/ 365	570,400
Capital increase (14 July 2003)		160,000	100	170/ 365	74,520
Capital increase (28 November 2003)		150,000	100	33/ 365	13,562
Shares issued as of 31 December 2003	1	880,400	100		658,482

NOTE 27 Earnings per share

	<u>Note</u>	<u>The Bank</u>		<u>The Group</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net profit (loss) attributable to shareholders		769	(4,886)	769	(4,886)
Number of shares as of 31 December		880,400	570,400	880,400	570,400
Weighted number of shares	26	658,482	489,085	658,482	489,085
Basic earnings (loss) per share (LTL)		1.17	(9.99)	1.17	(9.99)

NOTE 28 Capital adequacy

As of 31 December 2003 the Bank's capital adequacy ratio was equal to 15.88 percent, which was higher than the minimum ratio of 8 percent recommended by the Basle Agreement and higher than the minimum ratio of 10 percent, set by the Bank of Lithuania, the regulatory body of commercial banks operating in Lithuania. Capital adequacy ratios of the Bank for the year 2003 can be specified as follows:

31 December 2002	13.82%
31 March 2003	17.98%
30 June 2003	15.42%
30 September 2003	16.57%
31 December 2003	15.88%

In 2002 the Bank introduced capital requirement calculation for the Bank's trading book in accordance with approved Trading Activity Policy, according to the Bank of Lithuania requirements.

During 2003 the Bank has complied with minimum capital adequacy ratio requirements set by the Bank of Lithuania.

NOTE 29 Liquidity

Maturity gap (the Bank) 31 December 2003	Interest rate	On demand	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Indefinite maturity	No maturity	Total
Assets											
Cash and cash equivalents	-	3,843	-	-	-	-	-	-	-	-	3,843
Balances with the Bank of Lithuania	-	25,004	-	-	-	-	-	-	-	20,558	45,562
Due from banks and financial institutions	0.6-1.5%	4,861	29,416	-	43	3	-	-	-	11	34,334
Loans to credit and financial institutions, net	2.2-3.5%	-	7,900	29,715	8,304	-	-	-	-	-	45,919
Loans to customers, net	5.0-11.5%	-	9,403	14,019	34,104	69,683	142,184	289,176	140	-	558,709
Financial lease receivables, net	-	-	-	-	-	-	-	-	-	-	-
Factoring receivables, net	5.5-7.5%	-	416	1,846	-	-	-	-	132	-	2,394
Investments accounted for under equity method	-	-	-	-	-	-	-	-	-	475	475
Trading investments	5.0-6.0%	-	-	-	-	5,216	25,587	5,814	-	15	36,632
Held to maturity investments	5.0-6.0%	-	-	-	1,974	3,609	27,773	14,783	-	-	48,139
Intangible assets, less amortisation	-	-	-	-	-	-	-	-	-	1,038	1,038
Property, plant and equipment, less depreciation	-	-	-	-	-	-	-	-	-	5,936	5,936
Other assets, net	-	170	1,800	3,123	810	83	126	17	1,122	-	7,251
Total assets		33,878	48,935	48,703	45,235	78,594	195,670	309,790	1,394	28,033	790,232

NOTE 29 Liquidity (cont'd.)

Maturity gap (the Group) 31 December 2003	Interest rate	On demand	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Indefinite maturity	No maturity	Total
Assets											
Cash and cash equivalents	-	3,843	-	-	-	-	-	-	-	-	3,843
Balances with the Bank of Lithuania	-	25,004	-	-	-	-	-	-	-	20,558	45,562
Due from banks and financial institutions	0.6-1.5%	4,861	29,416	-	43	3	-	-	-	11	34,334
Loans to credit and financial institutions, net	2.2-3.5%	-	-	2,071	-	-	-	-	-	-	2,071
Loans to customers, net	5.0-11.5%	-	9,403	14,019	34,104	69,683	142,184	289,176	140	-	558,709
Financial lease receivables, net	3.5-6.0%	-	2,755	5,810	8,443	17,112	73,466	29,679	-	-	137,265
Factoring receivables, net	5.5-7.5%	-	416	1,846	-	-	-	-	132	-	2,394
Investments accounted for under equity method	-	-	-	-	-	-	-	-	-	-	-
Trading investments	5.0-6.0%	-	-	-	-	5,216	25,587	5,814	-	15	36,632
Held to maturity investments	5.0-6.0%	-	-	-	1,974	3,609	27,773	14,783	-	-	48,139
Intangible assets, less amortisation	-	-	-	-	-	-	-	-	-	1,061	1,061
Property, plant and equipment, less depreciation	-	-	-	-	-	-	-	-	-	20,973	20,973
Other assets, net	-	170	9,792	9,301	783	83	126	17	1,122	-	21,394
Total assets		33,878	51,782	33,047	45,347	95,706	269,136	339,469	1,394	42,618	912,377

NOTE 29 Liquidity (cont'd.)

Maturity gap (the Group) 31 December 2003	Interest rate	On demand	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Indefinite maturity	No maturity	Total
Liabilities											
Amounts owed to credit and financial institutions	2.2-2.3%	831	74,709	84,665	152,847	158,641	34,254	30,770	-	-	536,717
Deposits from public	1.0-5.0%	89,692	92,417	31,359	25,361	20,876	1,851	27	-	-	261,583
Accrued expenses and deferred income	-	-	1,825	2,688	1,468	463	33	1	-	-	6,478
Other liabilities and provisions	-	4,398	9,218	44	20	328	1	416	-	-	14,425
Subordinated loan	3.9%	-	-	-	-	-	-	20,016	-	-	20,016
Shareholders' equity	-	-	-	-	-	-	-	-	-	73,158	73,158
Total liabilities and shareholders' equity		94,921	178,169	118,756	179,696	180,308	36,139	51,230	-	73,158	912,377
Net assets (liabilities)		(61,043)	(126,387)	(85,709)	(134,349)	(84,602)	232,997	288,239	1,394	(30,540)	-
Contingent assets (liabilities)		-	(18,840)	(25,627)	(27,335)	(64,048)	(44,619)	(2,585)	-	-	(183,054)
Net assets (liabilities) including contingent liabilities		(61,043)	(145,227)	(111,336)	(161,684)	(148,650)	188,378	285,654	1,394	(30,540)	(183,054)
Gap as a percentage of total assets		(6.7)%	(15.9)%	(12.2)%	(17.7)%	(16.3)%	20.6 %	31.3 %	0.2 %	(3.3)%	(20.1)%
The Group		2003	2002								
Total current assets		151,061	58,458								
Total current liabilities		308,267	131,730								
Liquidity ratio		49.00%	44.38%								

NOTE 30 Assets and liabilities by currencies

The Bank 31 December 2003	Assets and liabilities denominated in				Total
	LTL	USD	EUR	Other	
Assets					
Cash and cash equivalents	2,114	679	967	83	3,843
Balances with the Bank of Lithuania	25,004	20,558	-	-	45,562
Due from banks and financial institutions	28,011	673	4,410	1,240	34,334
Loans to credit and financial institutions, net	16,500	-	29,419	-	45,919
Loans to customers, net	192,276	17,022	349,411	-	558,709
Financial lease receivables, net	-	-	-	-	-
Factoring receivables, net	2,104	-	290	-	2,394
Investments accounted for under equity method	475	-	-	-	475
Trading investments	35,935	-	697	-	36,632
Held to maturity investments	16,091	-	32,048	-	48,139
Intangible assets, less amortisation	1,038	-	-	-	1,038
Property, plant and equipment, less depreciation	5,936	-	-	-	5,936
Other assets, net	4,413	27	2,761	50	7,251
Total assets	329,897	38,959	420,003	1,373	790,232
Liabilities and shareholders' equity					
Amounts owed to credit and financial institutions	33,805	23,165	367,948	-	424,918
Deposits from the public	201,960	19,031	39,630	962	261,583
Accrued expenses and deferred income	2,022	192	2,864	-	5,078
Other liabilities and provisions	1,275	613	3,427	164	5,479
Subordinated loan	-	-	20,016	-	20,016
Shareholders' equity	73,158	-	-	-	73,158
Total liabilities and shareholders' equity	312,220	43,001	433,885	1,126	790,232
Contingent assets (liabilities), net	(17,660)	3,998	13,524	-	(138)
Open long/ (short) position	17	(44)	(358)	247	(138)
Position as percentage of eligible capital	0.02%	(0.05)%	(0.38)%	0.27%	

NOTE 30 Assets and liabilities by currencies (cont'd.)

The Group 31 December 2003	Assets and liabilities denominated in				Total
	LTL	USD	EUR	Other	
Assets					
Cash and cash equivalents	2,114	679	967	83	3,843
Balances with the Bank of Lithuania	25,004	20,558	-	-	45,562
Due from banks and financial institutions	28,011	673	4,410	1,240	34,334
Loans to credit and financial institutions, net	-	-	2,071	-	2,071
Loans to customers, net	192,276	17,022	349,411	-	558,709
Financial lease receivables, net	1,295	-	135,970	-	137,265
Factoring receivables, net	2,104	-	290	-	2,394
Investments accounted for under equity method	-	-	-	-	-
Trading investments	35,935	-	697	-	36,632
Held to maturity investments	16,091	-	32,048	-	48,139
Intangible assets, less amortisation	1,061	-	-	-	1,061
Property, plant and equipment, less depreciation	20,973	-	-	-	20,973
Other assets, net	4,323	27	16,994	50	21,394
Total assets	329,187	38,959	542,858	1,373	912,377
Liabilities and shareholders' equity					
Amounts owed to credit and financial institutions	29,633	23,165	483,919	-	536,717
Deposits from the public	201,960	19,031	39,630	962	261,583
Accrued expenses and deferred income	2,747	192	3,539	-	6,478
Other liabilities and provisions	3,578	613	10,070	164	14,425
Subordinated loan	-	-	20,016	-	20,016
Shareholders' equity	73,158	-	-	-	73,158
Total liabilities and shareholders' equity	311,076	43,001	557,174	1,126	912,377
Contingent assets (liabilities), net	(17,660)	3,998	13,524	-	(138)
Open long/ (short) position	451	(44)	(792)	247	(138)
Position as percentage of eligible capital	0.48%	(0.05)%	(0.85)%	0.27%	

NOTE 30 Assets and liabilities by currencies (cont'd.)

According to the Bank of Lithuania requirements, the maximum aggregate open currency position shall be less than 25 per cent of the Bank's capital, and the open single currency position shall not exceed 15% of the Bank's eligible capital. As of 31 December 2003 the Bank held short aggregate open currency position of (0.48)% of the Bank's eligible capital (long position of 11.95% as of 31 December 2002).

NOTE 31 Related parties

In accordance with the Law on Commercial Banks of the Republic of Lithuania related parties are defined as follows: owners of a block of shares in the Bank and its subsidiaries, the spouses, parents and children of such owners or enterprises in which these persons have, directly or (and) indirectly acquired or hold more than 20% of ownership capital, and members of the council and the board of the Bank and its subsidiaries and enterprises, auditors, heads of the administration and bank branches and the spouses, parents and children of the above persons, or enterprises in which the above persons have, directly or (and) indirectly acquired or hold more than 20% of ownership capital.

For the purposes of these financial statements, parties are also considered as related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the year 2003, a number of banking transactions were entered into with related parties in the normal course of business. These included settlements, loans, deposit taking, and foreign currency transactions. All transactions with related parties were entered using arm's length principle.

The outstanding balances at the year-end and operations for the year 2003 with employment-related parties are as follows:

	<u>Average interest rate</u>	<u>2003</u>	<u>2002</u>
Lending to related parties			
Loans to the management of the Bank	3.70-5.00%	1,117	1,087
Loans to other employees of the Bank	3.70-5.00%	5,593	2,569
Total lending to related parties	<u>3.70-5.00%</u>	<u>6,710</u>	<u>3,656</u>

The below table represents balances of assets and liabilities with related parties of the Bank as of 31 December 2003 and also pooled income and expenses from related parties during 2003.

Related party	<u>Lending</u>	<u>Borrowing</u>	<u>Income</u>	<u>Expenses</u>	<u>Off BS</u>
UAB Sampo Banko Lizingas	43,848	4,734	2,135	1,020	1,609
Sampo Bank Plc.	4616	332,854	43	4,527	-

NOTE 32 Risk management

Risk management of the Group is arranged in accordance with Sampo Group Risk management Principles. The risk management process is divided into risk monitoring (setting the principles, limits and authorisations, risk calculations also supervision of the functioning of the risk management) and risk management (risk recognition, risk pricing, making decisions on risk).

Risk management in UAB Sampo Bankas group is regulated by several Risk Management Policies.

The Financial Policy defines financial and market risk appetite, structures financial risk management function of the Bank, identifies the risks involved and describes management policy for each type of risk.

Credit risk

The Credit Policy defines the general guidelines for credit risk, which include risk taking principles, approval and credit risk taking procedures, setting the limits of different economic sectors and risk monitoring routines.

Currency risk

The Bank holds a minimal (reasonable) level of foreign exchange positions necessary to offer services to clients. The Bank seeks to minimise foreign exchange risk in its lending or asset taking and funding operations by matching the asset and liability side by currencies in such way that always has to comply with the risk ratios established.

Liquidity risk

The Bank's liquidity risk management and control is regulated by the Bank's Liquidity risk management and control procedure, in which the main limits for the control of the bank's liquidity risk are established. The Bank's liquidity management is based on the current and desired profile of its Balance Sheet structure. The Bank's liquidity forecast is made when forecasting the yearly budgets, forecasting the total amount and profile of the required liability portfolio.

Interest rate risk

The main principles for the Bank's interest rate risk management are defined by Interest rate risk management and control establishment rules, whose objective is to determine the interest rate risk occurred in activity of the Bank, to estimate risk control and management rules, interest rate risk's limits and its monitoring, and therefore guaranty the highest level of the Bank's risk management and control affectivity.

Operational risk

Operational Risks are measured and monitored according to the Operational Risk Policy, which regulates the definition, risk management and reporting procedures of operational risk in the Bank.

Principles and Risk monitoring of the Bank's trading activities are covered in the Trading activity Policy of the Bank.

NOTE 33 Commitments and contingencies

	The Bank		The Group	
	2003	2002	2003	2002
Guarantees issued	7,906	6,899	7,906	6,899
Commitments to purchase (sell) foreign currency	(138)	(73)	(138)	(73)
Commitments to issue a loan or guarantee	159,690	51,577	182,419	56,166
Commitment to sell assets	883	1,083	883	1,083
Issued letters of credit	1,234	1,779	635	1,779

Commitments to purchase (sell) foreign currency as of 31 December 2003

	The Bank		The Group	
	2003	2002	2003	2002
Spot agreements				
Liability to purchase	7,171	5,518	7,171	5,518
Liability to sell	(7,172)	(5,515)	(7,172)	(5,515)
	(1)	3	(1)	3
Other derivative instruments				
Liability to purchase	18,488	35,815	18,488	35,815
Liability to sell	(18,625)	(35,891)	(18,625)	(35,891)
	(137)	(76)	(137)	(76)
Commitments to purchase (sell) foreign currency	(138)	(73)	(138)	(73)

Fair value of derivative instruments as of 31 December 2003 is presented in the table below

	Note	Notional amount		Fair value	
		Book value	Cost	Liability	Asset
Swaps		13,811	(13,811)	-	-
Forwards	20,24	4,677	(4,814)	(138)	1

NOTE 34 Compliance with regulatory requirements

As of 31 December 2003 and during 2003 the Bank and the Group was in compliance with all regulatory requirements set forth by the Bank of Lithuania and internal policies of the Bank.

NOTE 35 Brokerage

As of 31 December 2003 the Bank had a brokerage department, which was engaged in investment management activities, portfolio management and accounting, investment consultation and also provision of intermediary services to its clients.

The volume of transactions performed by the Bank's Financial brokerage department in the National Stock Exchange of Lithuania during the year 2003 amounted to LTL 267,079 thousand (LTL 188,328 thousand during 2002).

NOTE 36 Subsequent events

On 2 January 2004 Sampo Bank Plc. has taken over 880,394 shares previously held by Sampo Plc. and 6 shares previously held by private individuals thus becoming single shareholder of UAB Sampo Bankas.